

**New York University  
Stern School of Business**

B40.2302  
Corporate Finance

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**Course Syllabus**

**I. Course Materials**

- A. Brealey-Myers-Allen, *Principles of Corporate Finance*, McGraw Hill (BM)
- B. Packet I:
  - 1. Syllabus
  - 2. Articles
  - 3. Cases
- C. Items to be handed out in class
  - 1. Lecture Notes
  - 2. Homework Problems & Answers
  - 3. Old Sample Problems with Answers
  - 4. WSJ Articles which demonstrate concepts of course

**II. Course Description**

This course analyzes the major financial decisions facing corporate managers. The major topics include investment valuation (capital budgeting), capital structure and dividend policy, and mergers and acquisitions. There will be emphasis on both developing the tools and mindset of the financial practitioner as well as examining specific applications in the form of examples and several case discussions.

## II. Course Schedule

<u>Class</u>	<u>Lecture Topic</u>	<u>Reading</u>
Sep 18	Introduction	BM 1,2
Capital Budgeting/Project Valuation/Investment Decision		
	Capital Budgeting under Certainty	BM 3,5,6
Oct 2	Review Risk/Return	BM 7-8
	Capital Budgeting under Uncertainty	BM 9,4
Oct 9	American Chemical CASE	
	Valuation Summary	
	Valuing Projects with Options	BM 20-22; Dixit
Capital Structure/Financing Decision & Dividend Policy		
Oct 16	MM & What Matters	BM 17,14;
Oct 23	The effect of Taxes	Miller; BM 18
	Cost of Financial Distress	BM 12, 19; Myers
	REVIEW SESSION	
Oct 30	MIDTERM	
	Agency 1: Debt v. Equity	Myers
Nov 6	Agency 2: Equity v. Mgrs	Jensen: "Free CF"
	Asymmetric Information	BM 15; Smith
	Summarizing Capital Structure	Harris-Raviv
Nov 13	MCI CASE	
	Dividend Policy	BM 16; Black; AS
Nov 20	FORD Case	
	Behavioral Finance	"Rethinking Thinking"
Mergers and Acquisitions/Pull together		
Dec 4	Mergers & Acquisitions, LBOs	BM31-3; Jensen "Tkoover"; SV's
Dec 11	GULF CASE	GH
	Course Summary	
	Review Session	
Dec 18	In-Class Final Exam	

### **III. Grading**

Total Grade = Max { 86% Exams+14%Homeworks,100% Exams }

Homework Score: out of 14 pts (see below)

Exam Score = Max { 100%Final,55% Final+45%Midterm }

Superior class participation will earn you bonus points. Distracting class participation will be "rewarded" with cold calling or a reduction in previously earned bonus points.

Hand in 7 of the following 8 homeworks for 2 points each.

4 Problem Sets and 4 Cases with Questions:

(Can be handed in as group assignment up to size 3)

American Chemical

MCI

Ford

Gulf Oil

Homework grading follows the following format: A good job earns 2 pts (check +); a relatively weak effort earns 1 pt (check); garbage and late entries count 0.